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ICPS newsletter

Lviv is ready for educational reform

The idyllic period of simply criticising the current educational system and declaring intentions to rebuild it is over, and it is time for daily systematic work. Education is a development priority for the Western Ukrainian city of Lviv, and a plan for designing and implementing a municipal educational reform program was discussed at a seminar held there as a part of the ICPS's Educational Reform Strategy project on October 1-2

Areas of work

Work on educational policy development in Lviv should be implemented in five main directions:

· *educational development:* building institutional and organisational conditions for the transition from monopolistic state system of education management to a public one;

· *educational functions:* providing for fulfilment of education management functions, improving the decision-making process, and change management;

· *removing obstacles:* studying public opinion, informing the public, overcoming resistance to reforms;

· *financial and technical security:* seeking funds, developing new schemes of educational financing, collaborating with international organisations, donors, and businesses;

· *social security:* supporting employees in education in the process of educational reform.

Strategic document

A proposition regarding the design of a strategic document on educational policy prospects in Lviv was examined at the seminar. Participants decided that this document should set forth the main educational reform areas, describe educational policy alternatives, and evaluate the effects of short-, medium-, and long-term reform projects. Document structure will be discussed on November 3-4, by which time members of working group should receive examples of analytical papers and strategic documents on educational policy developed by the central and local governments of Western countries. The Lviv city authorities plan to review and approve the document by the end of 1999.

The working group on developing the strategic document include the following members: Mr. Pavlo Khobzei, chief of the board of education of the Department for Humanitarian and Social Policy of the Lviv city council, Mr Mykchailo Komarnytsky, director of the Institute for Policy Technologies, Mr. Roman Shyian, director of the Lviv Oblast Institute of Education, Ms. Maria Zubrytska, vice-chancellor of the Lviv State University, Mr. Yuri Lukovenko, manager of ICPS's Educational Reform Strategy in Ukraine project, and Mr. Volodymyr Nikitin, ICPS advisor. The first version of the strategic document will be sent to a large number of experts for their comments and remarks.

Lviv public opinion

The preliminary results of a survey of Lviv residents regarding the state of education and their attitude to possible changes in the educational sphere were presented to participants of the seminar. The public in Lviv is critical of the state of education in contrast to the rest Ukrainian population. The majority of Lvivites does not believe that Ukrainian education is the same or better than in

This Week

2000 budget impact on economic development. ICPS's macroeconomic seminar, devoted to the subject "Evaluation of the Budget-2000 and its Macroeconomic Consequences in 2000–2001", will be held on October 12. Participants will discuss the following questions:

1. Draft of the 2000 budget and CASE's macroeconomic forecast for 2000 and 2001.

2. Weaknesses of the 2000 budget.

3. Realistic 2000 budget and macroeconomic forecast for 2000 and 2001.

Presentations will be given by Ms. Malgorzata Markiewicz and Ms. Katarzyna Pietka, consultants of the Center for Social and Economic Research.

Next Week

Problems of interbudget relationships. Participants of ICPS's macroeconomic seminar will discuss ways of reforming interbudget relationships in Ukraine.

The main presentation will be given by Mr. Pavlo Kachur, deputy director of the Association of Ukrainian Cities.

Concerning invitations for ICPS's seminars, please contact Larysa Romanenko, manager of the Communication Forums Group.
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Western countries whereas more than 80 percent of respondents throughout Ukraine hold this opinion. Taking into account the high level of Lvivites' education and large number of educational institutions in the city, this data testifies that region is ready for educational reforms, it also confirms the expediency of the intention of local authorities to develop and implement educational reform projects.

Ensuring staffing for reforms

Staff support of city educational policy can be secured through accelerating training of strategic managers and researchers for the educational sector. This practical step also foresees implementing specific projects and can be conducted within the framework of the master's and graduate programmes at the Lviv State University. Seminar participants decided to design technical requirements for projects and research works to be done by undergraduate and graduate students under control of Western advisors and the working group members.

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German economists recommend new exchange rate system for Ukraine

Experience in Poland and Hungary testifies that implementation of a crawling peg system provides an opportunity to considerably reduce inflation and currency risks. Mr. Gerhard Krause, an economist with the German Advisory Group on Economic Reform to the Ukrainian Government, presented his vision of the exchange rate system option at ICPS's macroeconomic seminar on October 5

Economists of the German Advisory Group used several criteria to evaluate the advantages and disadvantages of different exchange rate regimes. For example, *inflation rate* is a measure of stability of the fixed exchange rate regime. If a country cannot achieve a low inflation rate (at the level of a county with a leading currency), constant appreciation leads to trade balance deficits because the competitiveness of domestic enterprises deteriorates.

For some years, a fixed exchange rate regime has been used in Ukraine. This regime provides for ensuring par for one or several exchanges. Mr. Krause believes that this system has significant disadvantages, since the main objective is maintaining the exchange rate at a certain level, taking into account neither the requirements of international competition nor the needs of national production. As under such a policy there is a tendency to rapid real appreciation, restructuring at the micro level is significantly lagging behind appreciation. A fixed exchange rate system is expedient if productivity growth rate in a country using this system will be better than the same indicators of trade partners of this country. Unfortunately, we cannot yet say that Ukraine has this advantage.

Another criterion for choosing such an exchange rate system is *the level of exchange reserves*. The prerequisite of the fixed exchange rate system is a high level of exchange reserves, required to maintain the system. But today the National Bank of Ukraine is not able to maintain a fixed exchange rate for the national currency because of insufficient levels of its reserves. Since in 2000–2001 Ukraine will be forced to follow a strict schedule of external debt payments, there is a minimal possibility that exchange reserves will be enlarged to the needed level.

Under the fixed exchange rate system, the unbalanced Ukrainian economy cannot rapidly and effectively *respond to frequent external shocks*. If, under conditions of external shocks the country anyway attempts to maintain the exchange rate at a fixed level, it will negatively affect its economy.

At the same time, transition to a flexible exchange rate regime is likely to be inexpedient, because this flexibility does not promote the stabilisation of citizen expectations and gain of their confidence in the national currency. That is why the German Advisory Group recommends implementing a crawling peg system. This system improves expectations, wins confidence in the national currency, provides an opportunity to respond more effectively to external and domestic disruptions, and prevents excessive real appreciation.

According to Mr. Krause, if a crawling peg system is implemented, the exchange basket should include two foreign currencies—US dollars and the Euro. In determining the national currency's devaluation rate, it is necessary to focus on the differential between the inflation rate in Ukraine and the countries to whose currencies the hryvnia will be fixed. Additionally, in Ukraine devaluation should cover almost 100 percent of this differential, as during upcoming years we can scarcely expect any rapid restructuring or increasing competitiveness of Ukrainian enterprises.

ICPS's macroeconomic seminar on "Into the year 2000 with a crawling peg system?" was held on October 5, 1999.

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